May 15, 2009

# COVER SHEET

AS093004369

SEC Registration Number

BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES

(Company's Full Name)

4th Floor, Benpres Building, Meralco Avenue, Pasig City

(Business Address: No. Street City/Town/Province)

Salvador G. Tirona

(Contact Person)

910-3040

(Company Telephone Number)

12 31

*Month* *Day*

(Fiscal Year)

17-Q

(Form Type)

*Month* *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

| Domestic | Foreign |
|---|---|
| **₱1.4 billion** | **US$150 million** |

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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# THE SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17- Q

### QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17 (2)(b) THEREUNDER

1. **March 31, 2009**
   Date of Report (Date of earliest event reported)

2. SEC Registration No. **AS093-04369** 3. BIR TIN. **002-825-058-000**

4. **Benpres Holdings Corporation**
   Exact name of registrant as specified in its Articles of Incorporation

5. **Metro Manila**
   Place of incorporation
   6. ____________________
   Industry Classification Code

7. **4th Floor Benpres Building, Exchange Road cor. Meralco Ave. Pasig City**
   Address of principal office

8. **(02) 910-3040**
   Registrant's telephone number, including area code

9. **Not Applicable**
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| **Common Shares** | **4,581,544,408 shares** |
| **Long Term Commercial Papers** | **P2,000,000,000.00** |

11. Are any or all of the securities listed on the Philippine Stock Exchange:
    Yes [X] No [ ]

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

    Yes [X] No [ ]

    (b) has been subject to such filing requirements for the past 90 days.

    Yes [X] No [ ]

# PART I – FINANCIAL INFORMATION

## Item I. Financial Statements

The unaudited consolidated financial statements are filed as part of the Form. It is prepared in compliance with accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRSs). PFRS, include standards named PFRSs and Philippine Accounting Standards (PASs), including interpretations issued by the Philippine Accounting Standards Council. These are the Company's first consolidated financial statements prepared in compliance with PFRSs.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments that have been measured at fair value.

## Item II. Management Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

Benpres Holdings Corporation (Benpres) posted unaudited consolidated revenues of P5.289 billion in the first three months of 2009, 24% higher than P4.256 billion in the same period last year. Unaudited consolidated expenses, however, increased by 32% to P5.222 billion year-on-year (YoY) from P3.948 billion, due to the 60% decline in equity in net earnings of investee First Philippine Holdings Corporation and hefty increases in general and administrative expenses (+45%) and costs of sales and services (+56%) of ABS-CBN Corporation. As a result, Benpres reported a first-quarter net loss attributable to the equity holders of the Parent in the amount of P176 million, compared to a net income attributable to equity holders of the Parent of P60 million in the first quarter of 2008.

Airtime–net (-4%), net sales and services (+77%), production costs (-4%), agency commission, incentives and co-producers' share (-1%), interest and other expenses–net (+20%), and other income (+26%) all reflect ABS-CBN operations.

Foreign exchange adjustments resulted in a loss of P202 million, 156% more than the P79 million foreign exchange loss in the comparative period. The peso depreciated to P48.33 per US dollar in March 2009 from P47.52 in December 2008 or a 2% drop in value, compared to a depreciation to P41.76 per US dollar in March 2008 from P41.28 in December 2007 or a 1% decline.

**Affiliates**

ABS-CBN posted a 22% decrease in net income for the period to P189 million from P243 million for the first three months of last year. Total revenues grew by 24% YoY to P5.289 billion from P4.266 billion, powered by a 91% jump in sale of services with the consolidation of SkyCable. The consolidation of SkyCable, however, also led to an increase of 28% in total expenses to P4.952 billion from P3.878 billion.

SkyCable posted a net loss of P25 million in the first three months of 2009, compared to a net profit of P72 million in 1Q08. SkyCable continued to invest heavily in the rollout of its ground-breaking SkyBroadband offering, even as programming costs increased by 27% following the depreciation of the peso during the period.

Bayan's first quarter net revenues edged up by 5% YoY to P1.639 billion from P1.558 billion, as its Bayan Wireless Landline and data revenues held their own amid a flurry of competing services. EBITDA in the first quarter amounted to P527 million, 26% better than last year's P417 million. Bayan trimmed its net loss YoY to P464 million from P556 million last year.

FPHC reported a 33% decline in net income to P178 million in the first quarter of 2009, from a restated P265 million in the first quarter of 2008, largely due to loss in earnings contribution from the toll roads business via First Philippine Infrastructure, Inc., )FPII). FPHC sold its stake in 2008.

Rockwell Land revenues fell by 40% in the first quarter to P812 million from P1.352 billion in the comparative period, following generally soft residential sales. Bulk of revenues (75%) still came from sales of One Rockwell, while retail operations grew by 11%. Net income decreased by 12% YoY to P158 million from P181 million.

**Key Performance Indicator**

As a holding company, Benpres receives revenues from asset sales and dividends from investees. Hence, the key performance indicator with the most direct impact on Benpres is the net income of investees. Any dividend received by Benpres is based on the investees' net income in the previous year. For the period in review, the financial performance of investees was within expectations.

**Financial Condition**

Cash and cash equivalents (+9%), trade and other receivable-net (+6%), program rights and other intangible assets–current (-5%), other current assets–net (+18%), noncurrent program rights and other intangible assets (-1%), other noncurrent assets (+4%), trade and other payables (+7%), interest-bearing loans and borrowings (+6%), and other noncurrent liabilities (-3%) reflect ABS-CBN accounts.

These led to a 5% rise in total current assets to P18.703 billion, a 2% increase in total assets to P56.857 billion, a 3% hike in total current liabilities to P30.540 billion, and a 4% jump in total noncurrent liabilities to P9.803 billion.

Unrealized gain on fair value of adjustments of available-for-sale investments rose by 21% to P346 million from P307 million with the uptick in the market value of Digitel shares held.

There are no any known trends, demands, commitments, events or uncertainties that will have material impact on the Company's liquidity other than those disclosed above and in the notes to financial statements herein attached. Also, the Company has no material commitments for capital expenditures nor for new investments.

**Financial Risk Management Objectives and Policies**

The Company's principal financial instruments, other than derivatives, comprise interest-bearing loans and borrowings, cash and cash equivalents, trade and other receivables, short-term investments, AFS financial assets, and trade and other payables. The main purpose of these financial instruments is to fund the Company's investments in associated companies and to raise fund for operations.

The Parent Company holds equity in subsidiaries and associates, which may or may not result in receipt of dividends in a given year and has various other financial assets and liabilities which arise directly from its operations.

ABS-CBN enters into derivative transactions, including principally interest rate swaps and cross currency swaps. The purpose is to manage the interest rate and currency risks arising from ABS-CBN's operations and its sources of finance.

The main risks that may arise from the Company's financial instruments are strategic information/valuation risk, financial markets risk, equity investment price risk, foreign currency exchange risk and revaluation risk, interest rate risk, cash flow risk, liquidity risk and credit risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below.

Strategic Information/Valuation Risk
This refers to the lack of relevant and reliable valuation information that may preclude prospective investors from making informed assessment of the value of the Parent Company or any of its significant segments in a strategic context.

To manage this, the Parent Company is in constant communication with subsidiaries and associates to obtain updated and realistic financial models of their operations, as well as how such relate to the Company. In addition, key Parent Company officers are either elected as member of the board in subsidiaries and associates or sit in as observer in management committee or board meetings of subsidiaries and associates to ensure the parent company is kept abreast of the latest developments in said companies. In 2007, the Parent Company's President was elected as director of ABS-CBN.

Financial Markets Risk
Movements in market prices of financial instruments, foreign currency exchange and interest rates, stock market indices, etc., may affect the value of the Parent Company's financial assets and stock price, which may also affect the cost of capital and/or its ability to raise capital.

The Parent Company is negotiating with creditors for a cap on interest rates, or for a fixed interest rate on debt. Other financial instruments of the Parent Company are noninterest-bearing or have no fixed or determinable maturity and are therefore not subject to interest rate risk.

Equity Investment Price Risk
This refers to the Company's exposure to fluctuations in the value of equity securities or income streams from equity ownership in subsidiaries and associates and AFS equity investments. The Company has direct and indirect equity investments in the following publicly listed companies whose market value as measured by market capitalization changes daily: ABS-CBN, FPHC, MERALCO, First Gen, PNOC-Energy Development Corporation (PNOC-EDC) and Digitel.

To manage this, a monitoring process is in place to validate financial forecasts against actual numbers and to ensure that the value of the Parent Company's equity investments is not depleted.

Foreign Currency Exchange Risk and Revaluation Risk
Volatility in foreign currency exchange rates may expose the Parent Company to economic and accounting losses related to large direct and indirect foreign currency-denominated obligations. Extraordinary fluctuations in foreign currency exchange rates may affect reported operational profits and deficit, potentially reducing the ability of subsidiaries and associates to declare dividends.

The risk was eased by the debt buyback undertaken in 2007, which directly reduced the Parent Company's foreign currency debt by US$43 million. Further, the risk was eased in 2008 when the Parent Company applied the interest payments against the principal foreign currency debt and further decreased the amount by US$22 million. The Parent Company assumes a 3% to 6% foreign exchange depreciation per annum in its financial model and is negotiating to put a cap on foreign exchange losses in its restructuring plan. It is also monitoring the mitigation plans of subsidiaries and associates in relation to foreign currency revaluation risk.

ABS-CBN's primary exposure to the risk in changes in foreign currency relates to ABS-CBN's long-term debt obligation. Before the prepayment of all outstanding dollar loan obligations under Tranche A of the SCA facility, approximately 26% of ABS-CBN's borrowings are denominated in currencies other than the functional currency of the operating unit. These were all covered by cross currency swaps which have all been terminated as a result of the prepayment of the underlying loan obligation. As of December 31, 2007, there no outstanding derivative contracts and all of ABS-CBN's loan obligations are in Philippine currency.

It is ABS-CBN's policy to enter into cross currency swaps to manage this risk and eliminate the variability of cash flows due to changes in the fair value of the foreign currency-denominated debt with maturity of more than one year.

Other than the debt obligations, ABS-CBN has transactional currency exposures. Such exposure arises when the transaction is denominated in currencies other than the functional currency of the operating unit or the counterparty.

Interest Rate Risk

Fluctuations in interest rates affect the company's capital availability or cash flow risk as they expose the Parent Company to variable cash requirements in relation to debt with floating interest rates, including goodwill interest which is based on LIBOR and PDST-F.

To mitigate this risk, the Parent Company's management continues to negotiate with creditors for a fixed interest rate on its debt.

ABS-CBN's exposure to the risk for changes in market interest rates relates primarily to ABS-CBN's long-term receivable and debt obligations with floating interest rates.

To manage this mix in a cost-efficient manner, ABS-CBN entered into interest rate swaps, in which ABS-CBN agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. Before the prepayment of all outstanding loan obligations under Tranche A of the SCA facility and after taking into account the effect of interest rate swaps, approximately 43% of ABS-CBN's borrowings are at a fixed rate of interest. However, in 2007, the derivative contracts that cover these swaps have been terminated as a result of the prepayment of the underlying loan obligation. Without the existence of any swaps, ABS-CBN's loan with fixed rate of interest is at about 32% of the total loans at the end of 2008 and 25% as at end of 2007.

Interest on financial instruments classified as floating rate is repriced at intervals of less than three months. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of ABS-CBN that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

On the average, benchmark interest rates, 3-month PDST-F, declined by 100 basis points since the end of 2006. Looking at past trends, however, this has not always been the case with several periods showing some upward adjustments due to several market pressures. Based on these experiences, ABS-CBN provides the following table to demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of ABS-CBN's income before income tax (through the impact on floating rate borrowings). There is no impact on the ABS-CBN's equity other than those already affecting the net income.

Capital Availability or Cash Flow (Liquidity) Risk

This risk refers to the Parent Company's exposure to the risk of lower returns on its investments or the necessity to borrow due to shortfalls in cash or expected cash flows, or variances in their timing. The restructuring plan is based on cash flows from dividends and asset sales and these may not come in as expected.

To manage this, the Parent Company obtains the concurrence of subsidiaries and associates on dividends forecast used in the restructuring plan and financial models were updated quarterly. In 2008 and 2007, the Parent Company bought back a portion of its principal US dollar-denominated obligations and a portion of Philippine peso-denominated debt at a 40% discount.

The financial liabilities of the Parent Company, except for trade and other payables, are due and demandable since the Parent Company defaulted at maturity date. Interest is accrued and is expected to be paid until such time that the liabilities are fully repaid. The Parent Company is currently negotiating with its creditors for a restructuring of the direct and indirect obligations, thus the maturity profile of financial liabilities above exclude interest.

ABS-CBN seeks to manage its funds through cash planning on a weekly basis. This undertaking specifically considers the maturity of the both financial investments and financial assets and projected operational disbursements. ABS-CBN also employs historical figures and forecasts from its collection and disbursements. As part of its liquidity risk management, ABS-CBN regularly evaluates its projected and actual cash flows. As a general rule, cash balance should be equal to ₱200 million at any given time to compensate for operation exigencies in the periodic absence of cash inflow.

It is ABS-CBN's objective is to maintain a balance between continuity of funding and flexibility through the use of bank credit and investment facilities. As such, ABS-CBN continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. In 2008, ABS-CBN closed two fund raising activities with final maturity of up to 2015. Currently, the debt maturity profile of the Company ranges from 3.7 years to 7.0 years.

Also, ABS-CBN places funds in the money market only when there are surpluses from ABS-CBN's requirements. Placements are strictly made based on cash planning assumptions and as much as possible, covers only a short period of time.

Credit Risk

The Parent Company has advances in subsidiaries and associates but these comprise less than 5% of assets. Trade receivables refer to accounts under ABS-CBN, which are managed at the ABS-CBN level. The Parent Company does not offer credit terms for the provision of services as a holding company.

With respect to credit risk arising from the other financial assets of the Parent Company, which comprise cash and cash equivalents and AFS investments, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments totaling ₱7,705 million and ₱2,364 million as of December 31, 2008 and 2007, respectively.

The credit quality of the Parent Company's financial assets was determined as follows:

*High Credit Quality.* This includes deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers, as of report date, accounts with good credit standing.

*Low Credit Quality.* This includes deposits or placements and receivables to counterparties that are not classified as "high credit quality."

The Parent Company's financial assets are neither past due nor impaired and are considered to be of high credit quality as of December 31, 2008 and 2007.

ABS-CBN is exposed to credit risk from operational and certain of its financing activities. On ABS-CBN's credit risk arising from operating activities, ABS-CBN only extends credit with recognized and accredited third parties. ABS-CBN implements a pay before broadcast policy to new customers. To improve collections over ABS-CBN's trade receivables, ABS-CBN grants discounts on early payment. In addition, receivable balances are monitored on an ongoing basis.

Such determination takes into consideration the age of the receivable and the current solvency of the individual accounts.

With regard to ABS-CBN's financing activities, as a general rule, ABS-CBN transacts these activities with counterparties that have a long credit history in the market and outstanding relationship with ABS-CBN. The policy of ABS-CBN is to have the BOD accredit these banks and/or financial institutions before any of these financing activities take place.

With respect to credit risk arising from the financial assets of ABS-CBN, which comprise trade and other receivables, cash and cash equivalents, AFS equity investments, and receivables from related parties, ABS-CBN's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There is no requirement for collateral over trade receivables since ABS-CBN trades only with recognized and accredited counterparties.

At balance sheet date, the only significant concentration of credit risk is the long-term receivable from Sky Cable.

The credit quality of the financial assets was determined as follows:

- High Credit Quality

  This includes deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers, as of report date, accounts of good paying customers, with good credit standing and with no history of account treatment for a defined period. This also include claims from Elite subscribers, advance payers, airtime and channel lease with advance payment arrangements, related parties with offsetting arrangement and existing employees.

- Moderate Credit Quality

  For receivables, this covers accounts of standard paying customers, those whose payments are within the credit term, and new customers for which sufficient credit history has not been established. This also includes claims from special subscribers.

- Low Credit Quality

For receivables, this covers accounts of slow paying customers and those whose payments are received upon demand at report date.

## PART II – OTHER INFORMATION

The Company has no other information that needs to be disclosed other than disclosures made under SEC Form 17-C.

## BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS
**(Amounts in Millions)**

| | March 31, 2009 (Unaudited) | December 31, 2008 (Audited) |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | **₱4,612** | ₱4,222 |
| Notes Receivables | **5,310** | 5,310 |
| Trade and other receivable - net | **5,384** | 5,105 |
| Program rights and other intangible assets - current | **1,372** | 1,440 |
| Other current assets - net | **2,025** | 1,714 |
| Total Current Assets | **18,703** | 17,791 |
| **Noncurrent Assets** | | |
| Investments in and advances to associates – net (Notes 2 and 3) | **14,318** | 14,267 |
| Property and equipment - net | **15,154** | 15,169 |
| Program rights and other intangible assets - noncurrent | **2,140** | 2,171 |
| Other noncurrent assets – net | **6,542** | 6,279 |
| Total Noncurrent Assets | **38,154** | 37,886 |
| | **₱56,857** | ₱55,677 |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Trade and other payables | **₱13,932** | ₱12,972 |
| Current portion of interest-bearing loans and borrowings (Note 6) | **9,703** | 9,774 |
| Estimated liabilities from guarantees and commitments | **6,905** | 6,905 |
| Total Current Liabilities | **30,540** | 29,651 |
| **Noncurrent Liabilities** | | |
| Interest-bearing loans and borrowings – net of current portion (Note 6) | **8,054** | 7,594 |
| Other noncurrent liabilities | **1,749** | 1,809 |
| Total Noncurrent Liabilities | **9,803** | 9,403 |
| | **40,343** | 39,054 |
| **EQUITY** | | |
| **Equity Attributable to Equity Holders of the Parent** | | |
| Capital stock | **4,581** | 4,581 |
| Additional paid-in capital | **6,766** | 6,766 |
| Unrealized gain on fair value adjustments of available-for-sale investments | **346** | 285 |
| Share in equity adjustment from translation | **(5,507)** | (5,430) |
| Share in unrealized gain on fair value adjustments of AFS investments | **22** | 22 |
| Retained earnings | **3,570** | 3,746 |
| | **9,778** | 9,970 |
| Minority interests | **6,736** | 6,653 |
| Total Equity | **16,514** | 16,623 |
| | **₱56,857** | ₱55,677 |

*See accompanying Notes to Consolidated Financial Statements.*

## BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

**(UNAUDITED)**

**(Amounts in Millions, Except Per Share Amounts)**

| | Three Months Ended March 31 | |
|---|---|---|
| | **2009** | 2008 |
| **CONTINUING OPERATIONS** | | |
| **REVENUES** | | |
| Airtime – net | **₱2,764** | ₱2,832 |
| Net sales and services | **2,525** | 1,424 |
| | **5,289** | 4,256 |
| **EXPENSES (INCOME)** | | |
| Production costs | **1,453** | 1,514 |
| General and administrative | **1,763** | 1,179 |
| Costs of sales and services | **1,151** | 739 |
| Agency commission, incentives and co-producers' share | **512** | 518 |
| Equity in net earnings of investees | **(115)** | (300) |
| Foreign exchange adjustment | **202** | 79 |
| Interest and others – net | **430** | 357 |
| Other income | **(174)** | (138) |
| | **5,222** | 3,948 |
| **INCOME BEFORE INCOME TAX** | **67** | 308 |
| **PROVISION FOR INCOME TAX** | **(149)** | (145) |
| **NET INCOME (LOSS)** | **(₱82)** | ₱163 |
| Attributable to: | | |
| Equity holders of the Parent Company | **(₱176)** | ₱60 |
| Minority interests | **94** | 103 |
| | **(₱82)** | ₱163 |
| **Earnings (loss) Per Share Attributable to Equity Holders of the Parent:** | | |
| Basic | **(₱0.0384)** | ₱0.0131 |
| Diluted | **(0.0382)** | 0.0133 |

*See accompanying Notes to Consolidated Financial Statements.*

## BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

**(UNAUDITED)**

**(Amounts in Millions, Except Number of Shares and Par Value Amounts)**

| | Three Months Ended March 31 | |
|---|---|---|
| | **2009** | 2008 |
| **CAPITAL STOCK - ₱1 par value** | | |
| Authorized - 5,500,000,000 shares | | |
| Issued - 4,581,544,408 shares | **₱4,581** | ₱4,581 |
| **CAPITAL PAID IN EXCESS OF PAR VALUE** | **6,766** | 6,766 |
| **UNREALIZED GAIN ON FAIR VALUE OF ADJUSTMENTS OF AVAILABLE-FOR-SALE INVESTMENTS** | **346** | 733 |
| **SHARE IN EQUITY ADJUSTMENT FROM TRANSLATION** | **(5,507)** | (3,215) |
| **SHARE IN UNREALIZED GAIN ON FAIR VALUE OF ADJUSTMENTS OF AVAILABLE-FOR-SALE INVESTMENTS** | **22** | 67 |
| **RETAINED EARNINGS** | | |
| Balance at beginning of period | **3,746** | 819 |
| Net income (loss) attributable to the equity holders of the Parent | **(176)** | 60 |
| Balance at end of period | **3,570** | 879 |
| **TOTAL** | **9,778** | 9,811 |
| **MINORITY INTERESTS** | **6,736** | 6,635 |
| | **₱16,514** | ₱16,446 |

*See accompanying Notes to Consolidated Financial Statements.*

## BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

**(UNAUDITED)**

**(Amounts in Millions)**

| | Three Months Ended March 31, 2009 | 2008 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net Income (loss) | **(₱176)** | ₱60 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Equity in net earnings of investees | **(115)** | (300) |
| Depreciation and amortization | **556** | 320 |
| Changes in assets and liabilities: | | |
| Increase in current assets | **(522)** | (594) |
| Decrease in current liabilities | **960** | 1,203 |
| Net cash provided by operating activities | **703** | 689 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Decrease (Increase) in: | | |
| Investments and advances | **48** | 48 |
| Property and equipment and other assets | **(773)** | (606) |
| Net cash used in investing activities | **(725)** | (558) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Increase in interest-bearing loans and borrowings | **389** | – |
| Increase (decrease) in: | | |
| Other noncurrent liabilities | **(60)** | 71 |
| Minority interest | **83** | 178 |
| Net cash provided by financing activities | **412** | 249 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 390 | 380 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIODS** | 4,222 | 2,962 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIODS** | **₱4,612** | ₱3,342 |

*See accompanying Notes to Consolidated Financial Statements.*

### 1. Corporate Information and Status of Operations

a. Corporate Information

Benpres Holdings Corporation (Benpres or the Parent Company) is incorporated in the Philippines. The Parent Company is involved in management and investment holdings of subsidiaries and associates. The subsidiaries are mainly involved in broadcasting and entertainment business. The Parent Company and its subsidiaries are collectively referred to as "the Company". The Company's associates are involved in telecommunications, power generation and distribution, real estate development and roads and tollways business. The Company disposed its equity interest in an associate involved in roads and tollways business on November 13, 2008.

The Parent Company is a 54.61% owned subsidiary of Lopez, Inc. (Lopez), a Philippine entity and the ultimate parent company.

The common shares of the Parent Company were listed beginning November 1993 and have since been traded in the Philippine Stock Exchange (PSE).

The registered office address of the Parent Company is 4th Floor, Benpres Building, Meralco Avenue, Pasig City.

b. Balance Sheet Management Plan

Starting in 2002, the Parent Company defaulted on its principal and interest payments on its long-term direct obligations and its guarantees and commitments to Bayantel Telecommunications Holdings Corporation (Bayantel), an associate.

Long-term direct obligations of the Parent Company that are due for payment as of March 31, 2009 and December 31, 2008 amounted to ₱8,649 million and ₱8,642 million, respectively. In addition, by virtue of its guarantees and commitments to Bayantel (or indirect obligations), the Parent Company may be liable for certain obligations that already fell due amounting to approximately US$145 million as of March 31, 2009 and December 31, 2008.

As of March 31, 20009 and December 31, 2008, the consolidated current liabilities also exceeded consolidated current assets by ₱11,837 million and ₱11,860 million, respectively.

The BSMP was created by the Parent Company in June 2002 to address all the outstanding financial obligations of the Parent Company, including its guarantees and commitments to Bayantel. The BSMP involves series of activities, including restructuring of debt and disposal of non-core assets, with the aim of reducing the outstanding financial obligations of the Parent Company.

In the BSMP, all the outstanding financial obligations of the Parent Company as of May 31, 2002 were proposed to be restructured and since December 2002, the Parent Company has been making good faith semi-annual interest payments on its financial obligations. Interest is computed based on the proposed restructuring terms, while interest paid on indirect obligations are treated as advance payment of principal based on the original contracted terms.

On March 13, 2003, the stockholders granted full authority to the BOD to negotiate with the creditors without the need for prior approval from the stockholders. The BOD has the authority to take all actions and matters necessary and desirable for the restructuring of the Parent Company's financial obligations under the BSMP. The Parent Company also has Ferrier Hodgson Corporate Advisory (WA) Pty Ltd. as the appointed financial adviser to assist the Parent Company in addressing its long-term direct and indirect obligations. To facilitate the overall process for the financial restructuring of the Parent Company, the Benpres Creditors' Committee was formed by the creditors.

As of March 31, 2009, the Company purchased debt from various LTCP holders holding a total face value of ₱600 million. The debt was purchased at 60% of the principal amount of debt including capitalized interest. In November 2007, the Parent Company and Lopez together settled the US$43 million worth of debt held by Asian Infrastructure Fund (AIF), of which they are co-obligors. The debt was settled for US$32 million with the Parent Company paying US$26 million and Lopez paying US$6 million.

In connection with the plan to dispose certain non-core assets of the Parent Company, in 2008, the Parent Company disposed its equity interest in First Philippine Infrastructure, Inc. (FPII) to Metro Pacific Investments Corporation (MPIC) and certain available-for-sale (AFS) investments.

On January 19, 2007, the Parent Company officially exited from the business of Maynilad Water Services, Inc. (Maynilad Water) and wrote off the guaranteed obligations of the Parent Company. Maynilad Water is a subsidiary of the Company until July 20, 2005, when the Company lost its power to govern the financial and operating policies of Maynilad Water pursuant to the delivery to the Rehabilitation Receiver of Maynilad Water an irrevocable proxy appointing Metropolitan Water Works and Sewerage System (MWSS) or any of MWSS's authorized representative as its proxy to attend, in the Company's stead, all meetings of Maynilad Water, and to vote all of the Benpres shares, specifically for the purpose of carrying out, or ensuring the completion of the capital restructuring of Maynilad Water.

On December 19, 2008, Parent Company circulated to its creditors a Term Sheet containing Primary Financial and Commercial Terms and Obligations for the restructuring of Benpres financial obligations. The primary financial terms of the restructuring include the following, among others:

- Bullet payment of the principal amount of the Existing Obligations on Principal Repayment Date that is 12.5 years from Effective Date (the date on which such Signing Creditors' accept the terms and conditions set out in the Term Sheet), subject however to the Parent Company's right to refinance its outstanding obligations or conduct Debt Buyback in its sole and absolute discretion in any amount and at any time up to and including the Principal Repayment Date.

  The Existing Obligations include the long-term direct and indirect obligations of the Parent Company.

- Interest will be fixed at 4% per annum (gross of tax) for US$ Obligations and fixed at 7% per annum (gross of tax) for Philippine Peso Obligations.

- Subject to availability of cash, the Parent Company may make an offer to buyback all or any part of the Existing Obligations at a price that is no more than 60% of the principal amount.

- Priority of cash flows for payment of debt is in the following order: (1) operating expenses; (2) interest payments due to creditors; (3) any buyback proposal at the Parent Company's discretion, and; (4) bullet principal repayment on the Principal Repayment Date.

Pursuant to the Term Sheet, the Parent Company may endeavor to dispose its investments in associates.

As of May 15, 2009, only one creditor having outstanding debt of US$0.1 million (₱0.5 million) accepted the Term Sheet. From January 1, 2009 to May 15, 2009, creditors having outstanding debt of ₱600 million availed of the buyback offer at 60% of principal amount of their debt.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue operating as a going concern. The foregoing conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue in the normal course of business. The ability of the Company to continue operating in the normal course of business depends on the success of the BSMP and related Term Sheet circulated to the creditors.

## 2. Transfer of Media Interest

On April 24, 1998, as approved by the National Telecommunications Commission (NTC) on March 16, 1998 and the creditors of the Parent Company on April 21, 1998, the Parent Company transferred its ownership in ABS-CBN Broadcasting Corporation (ABS-CBN) and Sky Vision Corporation (Sky Vision) to Lopez. The transfer included 553,457,304 shares of ABS-CBN at its market value of ₱16.50 per share equivalent to ₱9,132 million and 162,463,400 shares of Sky Vision at its book value of ₱2.75 per share equivalent to ₱447 million in exchange for cash of ₱75 million and Convertible and Nonconvertible Notes (Lopez Notes) of ₱9,504 million (Convertible Notes of ₱5,504 million and Nonconvertible Notes of ₱4,000 million). The Lopez Notes are secured by a pledge of the shares transferred and all subsequent shares distributed to Lopez by reason of its holdings of ABS-CBN and SkyVision shares. After the transfer, Lopez assumed all voting rights associated with the shares. The ABS-CBN and Sky Vision shares were also released from negative pledge covenants included in the terms of outstanding LTCPs.

The Lopez Notes are payable on April 24, 2013 (Maturity Date). Lopez has the option to redeem the Lopez Notes at any time, subject to certain conditions provided for in the Agreement by both parties. The Parent Company has the option to convert the Convertible Lopez Notes into 553,457,304 shares of ABS-CBN and 162,463,400 shares of Sky Vision (Conversion Quantity) at a conversion price of ₱5,504 million until Maturity Date or redemption date, as the case may be. The conversion quantity and price are subject to adjustments as provided for in the Agreement. The Lopez Notes may be repaid in whole or in part on or before the Maturity Date. The Lopez Notes are terminated on any earlier date if the Convertible Lopez Notes have been properly converted and Lopez has satisfied its obligations with respect to Convertible Lopez Notes. The Lopez Notes bear an annual interest of 1.5%, subject to adjustments as agreed by both parties.

As of March 31, 2009 and December 31, 2008, the outstanding Lopez Notes amounted to ₱8,916 and ₱8,821 million. The underlying shares totaled 446,800,022 ABS-CBN shares in 2008 [including 568,415 Philippine Depositary Receipts (PDRs) in 2008], and 162,463,400 Sky Vision shares in 2008.

As of May 15, 2009, the shares of stock in ABS-CBN and Sky Vision are still under the name of Lopez. Consequently, Lopez has the power to vote over those shares. The Parent Company has not exercised its option to convert the Lopez Notes into ABS-CBN and Sky Vision shares, respectively.

ABS-CBN
ABS-CBN is incorporated in the Philippines. Its core business is television and radio broadcasting. Its subsidiaries and associates are involved in the following related businesses: cable and direct-to-home (DTH) television distribution and telecommunications services overseas, movie production, audio recording and distribution, video/audio post production, and film distribution. Other activities of the subsidiaries include merchandising, internet and mobile services and publishing.

The convertibility feature of the Lopez Notes pertaining to ABS-CBN qualifies as "potential voting rights" under Philippine Accounting Standard (PAS 27), *Consolidated and Separate Financial Statements*. Under PAS 27, the existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity has the power to govern the financial and operating policies of another entity. Consequently, for financial reporting purposes, ABS-CBN is considered a subsidiary of the Parent Company. Accordingly, the Lopez Notes pertaining to ABS-CBN is eliminated for consolidation purposes.

SkyVision
Sky Vision is a holding company of various subsidiaries mainly involved in cable television services in Metro Manila and in certain provincial areas in the Philippines.

The convertibility feature of the Lopez Notes pertaining to Sky Vision qualifies as "potential voting rights" under PAS 28, *Investments in Associates*. Under PAS 28, the existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether an entity has significant influence. Consequently, for financial reporting purposes, Sky Vision is considered an associate of the Parent Company, which is accounted for under the equity method.

a. Conversion of Sky Cable Note Issued to ABS-CBN and outstanding advances by ABS-CBN and Parent Company and Consolidation of Sky Cable Corporation (Sky Cable)

   On June 30, 2004, Sky Vision and Sky Cable ("Issuer") issued a Convertible Note (Sky Cable Note) to ABS-CBN amounting to US$30.0 million (equivalent to ₱1,581 million). The amount for conversion also includes advances and accrued interest receivable of ABS-CBN amounting to ₱918 million, and advances of the Parent Company to Sky Cable amounting to ₱253 million. As of December 31, 2007, the Sky Cable Note amounted to ₱2,499 million.

   The Sky Cable Note was subject to interest of 13.0% compounded annually and matured on June 30, 2006. The principal and accrued interest as of maturity date is mandatorily converted into common shares of the Issuer, based on the prevailing USD to Philippine Peso exchange rate on maturity date, at a conversion price equivalent to a 20% discount of: (a) the market value of the shares, in the event of a public offering of the Issuer before maturity date; (b) the valuation of the shares by an independent third party appraiser that is a recognized banking firm, securities underwriter or one of the big three international accounting firms or their Philippine affiliate jointly appointed by the Lopez and the Parent Company (collectively referred to as Benpres Group) and Philippine Long Distance Telephone Company and Mediaquest Holdings, Inc. (collectively referred to as PLDT Group) pursuant to the Master Consolidation Agreement dated July 18, 2001, as amended or supplemented.

   As of December 31, 2007, the conversion price of the Sky Cable Note was not yet been determined. Based on the provisions of the Sky Cable Note, the conversion of the Sky Cable Note cannot be completed without the determination of the conversion price, which in turn depends on the valuation of Sky Cable by an independent third party. Thus, ABS-CBN and the Parent Company did not convert the Sky Cable Note at that time without such valuation. The conversion date was effectively extended.

On May 20, 2008, the Benpres Group and the PLDT Group acknowledged the fairness and reasonableness of the valuation for Sky Cable effective March 15, 2008. Based on this final valuation, ABS-CBN's Sky Cable Note of ₱2,499 million, including advances and interest of ₱ 918 million, had an equivalent subscription to 269,645,828 Sky Cable shares, representing 65.3% effective interest in Sky Cable. On the other hand, the Parent Company's advances to Sky Vision, subsequently assigned by Sky Vision to Sky Cable, amounting to ₱253 million had an equivalent subscription to 27,264,843 Sky Cable shares, representing 6.6% effective interest in Sky Cable. The final valuation rendered the Sky Cable Note exercisable. Consequently, for financial reporting purposes, effective March 15, 2008, Sky Cable is considered as a subsidiary of the Company. The combined interest of the Parent Company and ABS-CBN in Sky Cable is 71.8% while the effective interest of the Company in Sky Cable is 45.1%.

On December 8, 2008, ABS-CBN, the Parent Company and SkyVision entered into an Assignment Agreement, where ABS-CBN and the Parent Company assigned the Sky Cable Note and advances in Sky Cable to Sky Vision in consideration of PDRs to be issued by Sky Vision upon approval by the Philippine Securities and Exchange Commission (SEC) of the increase in the authorized capital stock of Sky Cable. Pursuant to this Assignment Agreement, Sky Vision is contractually bound to issue the PDRs to ABS-CBN and the Parent Company upon issuance of the underlying Sky Cable shares to Sky Vision. Effectively, the economic interest over the underlying Sky Cable shares still remains with ABS-CBN and the Parent Company. However, Sky Vision is the legal owner of the subscriptions of ABS-CBN and the Parent Company in Sky Cable.

The PDRs will grant ABS-CBN and the Parent Company the right, upon payment of the exercise price and subject to certain other conditions, the delivery of Sky Cable shares or the sale of and delivery of the proceeds of such sale of Sky Cable shares. The PDRs may be exercised at any time by ABS-CBN and the Parent Company, thus, providing potential voting rights to ABS-CBN and the Parent Company. Any cash dividends or other cash distributions in respect of the underlying Sky Cable shares shall be distributed to ABS-CBN and the Parent Company.

The voting rights will remain with Sky Vision as legal owner. However, by virtue of the PDRs, ABS-CBN and the Parent Company have economic benefits over the underlying Sky Cable shares and voting rights upon exercise of the PDRs.

As of May 15, 2009, the PDRs of Sky Vision have not yet been issued to ABS-CBN and the Parent Company pending approval by the SEC of the increase in the authorized capital stock of Sky Cable.

The conversion of Sky Cable Note is considered as a business combination and accounted for using purchase method by the Company. Accordingly, the consideration of ₱2,752 million was allocated to the identifiable assets and liabilities based on the fair values at conversion date. The fair value of the identifiable assets and liabilities of Sky Cable at the date of conversion and the corresponding carrying amounts immediately before the conversion were:

| | Fair Value Recognized on Conversion | Carrying Value |
|---|---|---|
| Cash and cash equivalents | ₱837 | ₱837 |
| Trade and other receivables - net | 394 | 394 |
| Prepaid expenses and other current assets | 603 | 603 |
| Property and equipment - net | 4,960 | 3,548 |
| Customer relationships | 607 | – |
| Other noncurrent assets | 1,378 | 1,468 |
| Trade and other current liabilities | (2,562) | (2,562) |
| Long-term debt | (2,920) | (2,920) |
| Due to related parties | (674) | (674) |
| Deferred tax liabilities | (615) | – |

*(forwarded)*

| | | |
|---|---|---|
| Other noncurrent liabilities | (213) | (213) |
| Net assets | 1,795 | ₱481 |
| Combined interest* | 71.9% | |
| Net assets acquired | 1,290 | |
| Goodwill arising from the acquisition | 1,462 | |
| Consideration | ₱2,752 | |

* *For purposes of computing goodwill, the combined interest represents 65.3% direct equity interest of ABS-CBN and 6.6% direct equity interest of the Parent Company.*

There is no cash outflow on the conversion of Sky Cable Note.

From the date of the conversion of Sky Cable Note, Sky Cable has contributed ₱29 million to the net income of the Company. Had the combination taken place at the beginning of the year, the net income for the Company would have been higher by ₱1,441 million and revenue would have been ₱3,561 million.

On February 19, 2009, the BOD of ABS-CBN approved the conversion of ₱1,798 million loan and ₱900 million advances to PDRs with underlying 278,588,814 Sky Cable shares at conversion price of ₱9.69 a share. Upon conversion of the foregoing loan and advances, the effective interest of the Company will increase from 45.1% to 53.3%. The conversion will be considered as acquisition of minority interest. The foregoing loan and advances were extinguished upon consolidation of Sky Cable to the Company.

On March 2, 2009 by virtue of a separate Assignment Agreement, ABS-CBN assigned the ₱1,798 million loan to Sky Vision. As a consideration for the assignment, Sky Vision agreed to issue ABS-CBN PDRs which shall be convertible into Sky Cable shares. The terms of the agreement are similar to the Assignment Agreement discussed in the foregoing.

b. Consolidation of Sky Cable and Philippine Home Cable Holdings, Inc. (Home Cable) and Transfer of Sky Vision Minority to Sky Cable

On August 30, 2004, the SEC approved the issuance of Sky Cable shares to Home Cable in exchange for the assets and liabilities of Home Cable. After the transfer, Home Cable owned 33.5% of Sky Cable. In 2008, Home Cable's ownership was diluted to 5% upon conversion of the Sky Cable Note of ABS-CBN. Meanwhile, Sky Vision's equity ownership in Sky Cable was also diluted from 66.5% to 9.9%.

Subsequent to the conversion of Sky Cable Note, the minority stockholders of Sky Vision transferred their 8.6% equity interest in Sky Vision to Sky Cable. As a result of the transfer, Sky Vision's equity ownership in Sky Cable was further diluted to 1.3%.

c. Debt Restructuring Agreement and Acquisition of Sky Cable Debt

In November 2005, Sky Cable requested its creditors for an extension of the grace period of its restructured debt for another five years, with principal amortization to start in 2011. In September 2006, Sky Cable paid a token payment amounting to ₱5 million, upon which the principal payments due in September 2006, December 2006 and March 2007 were deferred to be paid in July 2007. A second token payment amounting to ₱5 million was paid upon finalization of debt restructuring.

In 2007, ABS-CBN invited holders of outstanding loan obligations of Sky Cable to sell Sky Cable's outstanding debt. Two options were given to the creditors: (1) offer to sell for cash 70% of face value and (2) offer to sell for ABS-CBN debt at a given set of terms. On September 20, 2007, ABS-CBN acquired from several creditors ₱1,798 million or 66% of Sky Cable's total outstanding debt of ₱2.8 billion. Thus, ABS-CBN became Sky Cable's creditor.

d. Acquisition of Minority Interest of Pilipino Cable Corporation (PCC)

On May 23, 2008, Sky Cable, through Sky Vision, acquired the minority interest in PCC from Sun Cable Holdings, Incorporated (SCHI) for a cash consideration of ₱1.2 billion and an assumption of liability of Telemondial Holdings, Inc. (THI) amounting to ₱100 million. SCHI owns THI, which in turn, owns the remaining 45.5% equity of PCC. Consequently, as of December 31, 2008, PCC became a wholly owned subsidiary of Sky Cable. The difference between the consideration and the carrying value of the minority interest in PCC amounting to ₱558 million, is recognized as goodwill.

## 3. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and AFS investments that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Parent Company. All values are rounded to the nearest million peso, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, PAS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Company as of December 31 each year. Control is normally evidenced when the Parent Company owns, either directly or indirectly, more than 50% of the voting rights of an entity's capital stock.

The following are the subsidiaries, which the Parent Company has direct control of, as of March 31, 2009 and December 31, 2008:

| | Country of Incorporation | Principal Activities | Percentage of Ownership |
|---|---|---|---|
| ABS-CBN and Subsidiaries (see Note 2)* | Philippines | Broadcasting and film distribution | 57.3 |
| Bayanmap Corporation (Bayanmap) | Philippines | Information service provider | 51.0 |

* *After the effect of PDRs convertible to common shares, percentage of ownership is 58.5% in 2008, 58.3% in 2007 and 58.0% in 2006.*

The following are the entities in which the Parent Company has indirect control through its subsidiaries as of March 31, 2009 and December 31, 2008:

| Company | Place of Incorporation | Principal Activities | Functional Currency | Ownership Interest 2009 | 2008 |
|---|---|---|---|---|---|
| ABS-CBN Global Ltd. (ABS-CBN Global)[(a)] | Cayman Islands | Holding company | USD | **100.0** | 100.0 |
| ABS-CBN International[(a)] | California, USA | Cable and satellite programming services | USD | **98.0** | 98.0 |
| ABS-CBN Australia Pty. Ltd.[(a)] | Victoria, Australia | Cable and satellite programming services | Australian Dollar (AUD) | **100.0** | 100.0 |
| ABS-CBN Telecom North America, Inc.[(a)] | California, USA | Telecommunications | USD | **100.0** | 100.0 |
| The Filipino Channel Canada, ULC[(a)] | Canada | Cable and satellite programming services | Canadian Dollar (CAD) | **100.0** | 100.0 |
| ABS-CBN Europe Ltd.[(a)] | United Kingdom | Cable and satellite programming services | Great Britain Pound (GBP) | **100.0** | 100.0 |
| ABS-CBN Japan, Inc.[(a)] | Japan | Cable and satellite programming services | Japanese Yen (JPY) | **100.0** | 100.0 |

(forwarded)

| | | | | | |
|---|---|---|---|---|---|
| ABS-CBN Middle East FZ-LLC[(a)] | Dubai, UAE | Cable and satellite programming services | USD | **100.0** | 100.0 |
| ABS-CBN Middle East LLC[(a)] | Dubai, UAE | Trading | USD | **100.0** | 100.0 |
| E-Money Plus, Inc. | Philippines | Money remittance services | Philippine Peso | **100.0** | 100.0 |
| ABS-CBN Center for Communication Arts, Inc. | Philippines | Educational/training | Philippine Peso | **100.0** | 100.0 |
| ABS-CBN Film Productions, Inc. | Philippines | Movie production | Philippine Peso | **100.0** | 100.0 |
| ABS-CBN Interactive, Inc. (ABS-CBN Interactive) | Philippines | Interactive media services | Philippine Peso | **100.0** | 100.0 |
| ABS-CBN Multimedia, Inc. | Philippines | Digital electronic content distribution | Philippine Peso | **100.0** | 100.0 |
| ABS-CBN Integrated and Strategic Property Holdings, Inc. | Philippines | Real estate | Philippine Peso | **100.0** | 100.0 |
| ABS-CBN Publishing, Inc. | Philippines | Print publishing | Philippine Peso | **100.0** | 100.0 |
| Culinary Publications, Inc. | Philippines | Print publishing | Philippine Peso | **70.0** | 70.0 |
| Creative Programs, Inc. (CPI) | Philippines | Content development and programming services | Philippine Peso | **100.0** | 100.0 |
| Professional Services for Television & Radio, Inc. | Philippines | Services - production | Philippine Peso | **100.0** | 100.0 |
| Sarimanok News Network, Inc. | Philippines | Content development and programming services | Philippine Peso | **100.0** | 100.0 |
| Sky Films, Inc. | Philippines | Services - film distribution | Philippine Peso | **–** | – |
| Star Recording, Inc. | Philippines | Audio and video production and distribution | Philippine Peso | **100.0** | 100.0 |
| Star Songs, Inc. | Philippines | Music publishing | Philippine Peso | **100.0** | 100.0 |
| Studio 23, Inc. | Philippines | Content development and programming services | Philippine Peso | **100.0** | 100.0 |
| TV Food Chefs, Inc. | Philippines | Services - restaurant and food | Philippine Peso | **100.0** | 100.0 |
| Roadrunner Network, Inc. | Philippines | Services - post production | Philippine Peso | **98.9** | 98.9 |
| Sky Cable Corporation and Subsidiaries[(b)] (see Note 2a) | Philippines | Cable television services | Philippine Peso | **65.3** | 65.3 |

*(a) Considered as foreign subsidiaries.*
*(b) Pertains to the effective interest of ABS-CBN. The Parent Company has direct ownership of 6.6%. The effective interest of the Company is 45.1%.*

The financial statements of the subsidiaries are prepared for the same financial reporting year as the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in full on consolidation. Unrealized gains and losses are eliminated unless costs cannot be recovered.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Consolidation of subsidiaries ceases when control is transferred out of the Company. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

As a result of the conversion of Sky Cable Note in 2008, the related accounts of Sky Cable and its subsidiaries have been included in the 2008 consolidated financial statements effective March 15, 2008.

<u>Minority Interest</u>
Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Company and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separate from the equity attributable to equity holders of the Parent Company.

Acquisition of minority interests is accounted for using the parent entity extension method, whereby, the difference between the consideration and the carrying value of the share in the net assets acquired is recognized in goodwill.

The proportionate amount of the fair values of identifiable assets and liabilities upon acquisition of a consolidated subsidiary and any subsequent changes in equity of a consolidated subsidiary attributable to a minority shareholder's interest are shown separately as "Minority interests" account in the consolidated balance sheet. A minority shareholder's interest in the results of operations of a subsidiary is shown as "Minority interests" account in the consolidated statement of income. Any losses applicable to a minority shareholder in a consolidated subsidiary in excess of the minority shareholder's equity in the subsidiary are charged against the minority interest to the extent that the minority shareholder has binding obligation to, and is able to, make good of the losses.

Business Combination and Goodwill

Business combinations are accounted for using the purchase accounting method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated represents the lowest level within the Company at which goodwill is monitored for internal management purposes. Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation in determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative exchange differences arising from the translation and goodwill is recognized in the consolidated statement of income.

The goodwill on investments in associates is included in the carrying amount of the related investments.

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Parent Company. Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of all the subsidiaries, except foreign subsidiaries, is the Philippine Peso. The functional currencies of the foreign subsidiaries are disclosed under the Basis of Consolidation section. As of financial reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Company (the Philippine Peso) at the rate of exchange ruling at balance sheet date and, their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to "Share in equity adjustment from translation" account within the equity section of the consolidated balance sheet. Upon disposal of any of these foreign subsidiaries, the deferred cumulative amount recognized in equity relating to that particular foreign subsidiary will be recognized in the consolidated statement of income.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new Philippine Interpretations which became effective on January 1, 2008, and amendments to existing standards which became effective on July 1, 2008.

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*

  This interpretation requires arrangements where employees are granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholder(s) of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, will account for such schemes when their employees receive rights to the equity instruments of the parent. The interpretation did not have an impact on the consolidated financial statements as the Company currently does not have share-based payments.

- Philippine Interpretation IFRIC 14, *PAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

  This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. The pension asset recognized in the consolidated balance sheet as of December 31, 2008 is within the limit set by the interpretation.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement," and PFRS 7, "Financial Instruments: Disclosures - Reclassification of Financial Assets*

  The amendments allow reclassification of certain held-for-trading investments to either held-to-maturity (HTM), loans and receivables or AFS financial instruments and certain AFS to loans and receivables. This amendment did not have an impact to the Company as the AFS investments are not of the nature allowed for reclassification under the amendment.

Financial Instruments

*Date of Recognition.* Financial instruments are recognized in the consolidated balance sheet when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on trade date basis. Derivatives are recognized on trade date basis.

*Initial Recognition of Financial Instruments.* All financial assets and liabilities are recognized initially at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments which are measured at fair value through profit or loss (FVPL).

The Company classifies its financial assets in the following categories: financial assets at FVPL, HTM investments, AFS investments and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Company determines the classification of its instruments at initial recognition and where allowed and appropriate, re-evaluates this designation at every financial reporting date.

*Determination of Fair Value.* The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transactions costs, that are active at the close of business at the balance sheet date. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For investments where there is no active market, fair value is determined using appropriate valuation techniques. Such techniques include using reference to similar instruments for which observable prices exist, discounted cash flows analyses, and other relevant valuation models.

*"Day 1" Profit.* Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" profit) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" profit amount.

a. Financial Assets or Liabilities at FVPL

   Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes, financial assets and liabilities designated upon initial recognition as at FVPL, and derivative instruments, unless they are designated as hedging instruments in an effective hedge.

   Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Included in this classification are debt and equity securities which have been acquired principally for trading purposes.

   Financial assets or liabilities may be designated at initial recognition as at FVPL if any of the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; (ii) the assets or liabilities are part of a group of financial assets, or liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

   Financial assets or liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Subsequent changes in fair value are accounted for in the consolidated statement of income. Interest earned or incurred and dividend income are recorded as income or expense.

   The Company's embedded derivatives are classified under this category as of December 31, 2008. Except for these embedded derivatives, there are no other financial assets and liabilities at FVPL as of December 31, 2008. There are also neither financial assets and liabilities at FPVL nor were derivative instruments as of December 31, 2007.

b. Loans and Receivables

   Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale, are not classified as financial assets at FVPL and are not designated as AFS investments or HTM investments.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment are recognized in provision for doubtful accounts in the consolidated statement of income.

Loans and receivables are included in current assets if maturity is within 12 months from balance sheet date. Otherwise, these are classified as noncurrent assets.

This category includes the Company's cash and cash equivalents, notes receivable, trade and other receivables, and long-term receivables from related parties and advances to associates.

c. HTM Investments

Quoted nonderivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM investments when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this category. Other long-term investments that are intended to be HTM, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process.

The Company has no HTM investments as of December 31, 2008 and 2007.

d. AFS Investments

AFS investments are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. These are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS investments are measured at fair value. The effective yield component of debt securities classified as AFS investments, as well as the impact of restatement on foreign currency-denominated debt securities classified as AFS, is reported in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of applicable tax, from the consolidated statement of income and are reported as cumulative translation adjustments in the equity section of the consolidated balance sheet and in the consolidated statement of changes in equity. Assets under this category are classified as current assets if management intends to sell these financial assets within 12 months from balance sheet date. Otherwise these are classified as noncurrent assets.

The Company's AFS investments, presented under "Other current assets" and "Other noncurrent assets" accounts, include investments in ordinary common shares.

e. Other Financial Liabilities

Financial liabilities are classified under this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Other liabilities are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortize cost is calculated by taking into account any related issue costs, discount or premium. Gains or losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

The Company's other financial liabilities at amortized cost include trade and other payables, interest-bearing loans and borrowings, estimated liabilities from guarantees and commitments, obligations for program rights and customers' deposits.

Derivative Financial Instruments and Hedging

The Company uses derivative financial instruments such as interest rate swaps and cross currency swaps to hedge its risks associated with interest rate and foreign currency fluctuations.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. The fair value of interest rate swaps and cross currency swaps is determined by reference to market values for similar instruments. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the consolidated statement of income for the current year.

For the purpose of hedge accounting, derivatives can be designated as cash flow hedges or fair value hedges, depending on the type of risk exposure.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

*Cash Flow Hedges.* Cash flow hedges are hedges of the exposures to variability in cash flows that are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect the consolidated statement of income. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized directly in equity, while any hedge ineffectiveness is recognized immediately in the consolidated statement of income.

Amounts taken to equity are transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a nonfinancial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the consolidated statement of income.

ABS-CBN's interest rates and cross currency swaps designated as cash flow hedges were terminated in 2007 as a result of the prepayment of the underlying obligation. There are no outstanding cash flow hedges as of March 31, 2009.

The Company has no derivatives that are designated or accounted for as fair value hedges as of March 31, 2009 and December 31, 2008.

Embedded Derivatives
An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and (c) the hybrid or combined instrument is not measured at FVPL.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. Re-assessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Impairment of Financial Assets
The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

*Loans and Receivables.* For loans and receivables carried at amortized cost, the Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income.

If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Likewise, it was also established that accounts outstanding for less than a year should have no provision for impairment but accounts outstanding over a year should have a 100% provision, which was arrived at after assessing individually significant balances. Provision for individually non-significant balances was made on a portfolio or group basis after performing the regular review of the age and status of the individual accounts and portfolio/group of accounts relative to historical collections, changes in payment terms and other factors that may affect ability to collect payments.

*Assets Carried at Cost.* If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

*AFS Investments.* For AFS investments, the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

*Financial Asset.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Financial Liability.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheet.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

Inventories
Inventories, included under "Other current assets" account in the consolidated balance sheet, are valued at the lower of cost and net realizable value. Cost is determined on the weighted average method. Net realizable value of inventories that are for sale, is the selling price in the ordinary course of business, less the costs of marketing and distribution. Net realizable value of inventories not held for sale is the current replacement cost. Unrealizable inventories are written off against the consolidated statement of income.

Investments in Associates
The Company's investments in associates are accounted for under the equity method of accounting. An associate is an entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The consolidated statement of income reflects the share on the financial performance of an associate. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The financial reporting dates of the associates and the Company are identical and the associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances. Unrealized intercompany profits arising from the transactions with the associate are eliminated.

Share in equity adjustment from translation represents the Company's share in the adjustments of an associate resulting from the translation into Philippine Peso of the foreign currency financial statements of an associate.

Property and Equipment

Property and equipment, except land, are carried at cost (including capitalized interest), excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred, if the recognition criteria are met. Land is stated at cost, which includes initial purchase price and other cost directly attributable in bringing such asset to its working condition, less any impairment in value.

Subscriber's initial installation costs, including materials, labor and overhead costs are capitalized and depreciated over a period no longer than the depreciation period of the distribution equipment. The costs of subsequent disconnection and reconnection are charged to the consolidated statement of income. Unissued spare parts and supplies represent major spare parts that can be used only in connection with the distribution equipment. Unissued spare parts and supplies are not depreciated but tested for impairment until become available for use.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Depreciation and amortization are computed on a straight-line method over the property and equipment's useful lives. The useful lives of the Company's assets are estimated as follows:

| | |
|---|---|
| Land improvements | 5 to 10 years or term of the lease, whichever is shorter |
| Buildings and improvements | 15 to 40 years or term of the lease, whichever is shorter |
| Television, radio, movie and auxiliary equipment | 5 to 15 years |
| Other equipment | 2 to 11 years |

Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item of property and equipment is depreciated separately.

The property and equipment's residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year end.

Construction in progress represents equipment under installation and building under construction and is stated at cost which includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and available for operational use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization on intangible assets with finite lives is recognized in the consolidated statement of income in those expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from finite to indefinite is made on a prospective basis.

A summary of the policies applied to ABS-CBN's acquired intangible assets is as follows:

| **Intangible Asset** | **Useful Lives** | **Amortization Method Used** | **Impairment Testing/ Recoverable Amount Testing** | **Determination of Current and Noncurrent Portion** |
|---|---|---|---|---|
| Program Rights | Finite (license term or economic life, whichever is shorter) | Amortized on the basis of program usage, except for CPI, which is amortized on a straight-line method over the license term or economic life, whichever is shorter. | If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the purchase price or license fee. | Based on the estimated year of usage, except CPI, which is based on license term. |
| Story, Music and Publication Rights | Finite (useful economic benefit) | Amortized on the basis of the useful economic life. | If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. | Based on the estimated year of usage. |
| Movie In-Process | Finite | No amortization, recognized as expense upon showing. | If the unamortized film cost is less than the fair value of the film, the asset is written down to its recoverable amount. | Based on the estimated year of usage. |
| Video Rights and Record Master | Finite (six months or 10,000 copies sold of video discs and tapes, whichever comes first) | Amortized on the basis of number of copies sold. | If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. | Current. |
| Cable Channels - CPI | Indefinite | No amortization. | Annually and more frequently when an indication of impairment exists. | Noncurrent. |

| Intangible Asset | Useful Lives | Amortization Method Used | Impairment Testing/ Recoverable Amount Testing | Determination of Current and Noncurrent Portion |
|---|---|---|---|---|
| Production and Distribution Business - Middle East | Finite - 25 years | Amortized on a straight-line basis over the period of 25 years. | If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. | Noncurrent. |

Customer relationships acquired in a business combination (see Note 2a) is amortized on a straight-line basis over the estimated customer service life ranging from three to 15 years.

Investment Properties
Investment properties, except land, are measured at cost, including transaction costs, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met, and excludes day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under "Property and equipment" up to the date of change in use.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of operations in the year of retirement or disposal.

These are included under "Other noncurrent assets" account in the consolidated balance sheet.

Preproduction Expenses
Preproduction expenses, included under "Other current assets" account in the consolidated balance sheets, represent costs incurred prior to the airing of the programs. These costs include talent fees of artists and production staff and other costs directly attributable to production of programs. These are charged to expense upon airing of the related programs or episodes. Costs related to previously taped episodes determined as will not be aired are charged to expense.

Tax Credits
Tax credits from government airtime sales availed under Presidential Decree (PD) No. 1362 are recognized upon actual airing of government commercials and advertisements. This is included under "Other noncurrent assets" account in the consolidated balance sheet.

Impairment of Nonfinancial Assets
The Company assesses at each financial reporting date whether there is an indication that property and equipment, noncurrent program rights and other intangible assets, tax credits and deferred charges may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets, excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The foregoing criteria are also applied in assessing impairment of specific nonfinancial assets:

*Goodwill and Cable Channels.* Goodwill and cable channels are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash generating units) to which the goodwill has been allocated, an impairment loss is recognized in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in subsequent increases in its recoverable amount in future periods. The Company performs its annual impairment test of goodwill as of December 31 of each year.

*Investments in Associates.* After application of the equity method of accounting, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the associate. The Company determines at each balance sheet date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the impairment in the consolidated statement of income.

Revenue

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

- Airtime revenue is recognized as income on the dates the advertisements are aired. The fair values of barter transactions are included in airtime revenue and the related accounts. These transactions represent advertising time exchanged for program materials, merchandise or service.

- Sale of services include:

  a. Subscription fees which are recognized as follows:

     *DTH Subscribers and Cable Operators.* Subscription fees are recognized under the accrual basis in accordance with the terms of the agreements.

     *Share in DirecTV subscription revenue.* Subscription revenue from subscribers of DirecTV who subscribe to The Filipino Channel (TFC) is recognized in accordance with the Deal Memorandum.

     *Subscription Revenue from ABS-CBN Now.* Subscription revenue from online streaming services of Filipino-oriented content and programming is received in advance (included as "Deferred revenue" under "Trade and other payables" account in the consolidated balance sheet) and is deferred and recognized as revenue over the period during which the service is performed.

     *Cable Subscribers.* Subscription fees are recognized under the accrual basis in accordance with the terms of the agreements. Subscription fees billed or collected in advance are deferred (included as "Deferred revenue" under "Trade and other payables" account in the consolidated balance sheet) and recognized as revenue when service is rendered.

  b. Telecommunications revenue is recognized when earned. These are stated net of the share of the other telecommunications carriers, if any, under existing correspondence and interconnection agreements. Interconnection fees and charges are based on agreed rates with the other telecommunications carriers.

     Income from prepaid phone cards are realized based on actual usage hours or expiration of the unused value of the card, whichever comes earlier. Income from prepaid card sales for which the related services have not been rendered as of balance sheet date is presented as "Deferred revenue" under "Trade and other payables" account in the consolidated balance sheet.

  c. Channel lease revenue is recognized as income on a straight-line basis over the lease term.

  d. Income from film exhibition is recognized, net of theater shares on the dates the film are shown.

  e. Income from TV rights and cable rights are recognized on the dates the films are permitted to be publicly shown.

  f. Pay-per-view fees are recognized on the date the movies or special programs are viewed.

- License fees earned from DirecTV are recognized upon migration of the DTH subscribers of ABS-CBN International to DirecTV. The additional license fees for each migrated subscriber that will remain for 14 consecutive months from the date of activation, will be recognized on the 14th month.

- Sale of goods is recognized when delivery has taken place and transfer of risks and rewards has been completed. These are stated net of sales discounts, returns and allowances.

- Income and related costs pertaining to the sale and installation of decoders and set-top boxes which has no stand alone value without the subscription revenue are aggregated and recognized ratably over the longer of subscription contract term or the estimated customer service life.

- Short-messaging-system/text-based revenue, sale of news materials and Company-produced programs are recognized upon delivery.

- Royalty income is recognized upon rendering of service based on the terms of the agreement and is reduced to the extent of the share of the composers or co-publishers of the songs produced for original sound recording.

- Installation/reconnection/disconnection fees (shown as part of "Other income" account in the consolidated statement of income) are recognized when the services are rendered.

- Management fees shown as part of "Other income" account in the consolidated statement of income, are recognized based on the terms of the management agreement.

- Rental income, included as part of "Other income", is recognized as income on a straight-line basis over the lease term.

- Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

- Dividends, included as part of "Other income", are recognized when the shareholders' right to receive payment is established.

Channel License Fees
Channel license fees included under "Cost of sales and services" account in the consolidated statement of income are charged to operations in the year these fees are incurred.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense under "Finance costs" in the consolidated statement of income

Customers' Deposits
Customers' deposits, included as part of "Other noncurrent liabilities" account in the consolidated balance sheet, are initially recognized at fair value. The discount is recognized as deferred credits and amortized over the estimated remaining term of the deposit using the effective interest method.

Asset Retirement Obligation
The net present value of legal obligations associated with the retirement of an item of property and equipment that resulted from the acquisition, construction or development and the normal operations of property and equipment is recognized in the period in which it is incurred and a reasonable estimate of the obligation can be made. This is included as part of "Other noncurrent liabilities" account in the consolidated balance sheet.

Borrowing Costs
Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred and ceases when the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded in the consolidated statement of income.

Debt Issue Costs
Expenditures incurred in connection with availments of long-term debt are deferred and amortized using effective interest rate method over the term of the loans. Debt issue costs are netted against the related long-term debt allocated correspondingly to the current and noncurrent portion.

Pension Costs
The Company has funded (the Parent Company, ABS-CBN and Sky Cable) and unfunded (other subsidiaries), noncontributory defined benefit plans, except for ABS-CBN International which has a defined contribution pension plan. The cost of providing benefits under the defined benefit plan is determined separately for each plan using the projected unit credit method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial

gains and losses for each individual plan at the end of the previous financial reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

For ABS-CBN International, the defined contribution pension plan is composed of the contribution of ABS-CBN International or employee (or both) to the employee's individual account. These contributions generally are invested on behalf of the employee through American Funds. Employees ultimately receive the balance in their account, which is based on contributions plus or minus investment gains or losses. The value of each account will fluctuate due to changes in the value of investments.

Leases

The determination whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the agreement;
b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether the fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date the change in circumstances gave rise to the reassessment for scenarios a, c or d and the date of renewal or extension period for scenario b.

*Finance Leases.* Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the consolidated statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

*Operating Leases.* Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term.

Income Taxes

*Current Income Tax.* Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at balance sheet date.

*Deferred Income Tax.* Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in other subsidiaries and associates, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are measured at each balance sheet date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred income tax to be recovered.

The current and deferred income tax relating to items recognized directly in equity are recognized in equity and not in the consolidated statement of income.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at balance sheet date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Dividends on Common Shares of the Parent Company
Dividends on common shares are recognized as liability and deducted from equity when approved by the shareholders of the Parent Company. Dividends for the year that are approved after balance sheet date are dealt with as an event after balance sheet date.

Earnings Per Share Attributable to Equity Holders of the Parent Company
Basic earnings per share is calculated by dividing the net income attributable to the equity holders of the parent company for the year by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends and stock split.

For the purpose of calculating diluted earnings per share, the net income attributable to the equity holders of the Parent Company and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares from the conversion of Perpetual Convertible Bonds. The number of common shares is the weighted average number of common shares plus the weighted average number of common shares which would be issued upon the conversion of all the dilutive potential common shares into common shares. For calculation purposes, Perpetual Convertible Bonds are deemed to have been converted into common shares at the date of issuance of the convertible bonds.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Segment Reporting
For purposes of financial reporting, the Company's operating businesses are organized and managed separately according to nature of business. Such business segments are the bases upon which the Company reports its primary segment information. The Company operates in three geographical areas where it derives its revenue.

## 4. Segment Information

Segment information is prepared on the following bases:

Business Segments
The Company's main businesses are investment holdings and broadcasting and entertainment. Broadcasting and entertainment is further segmented into three business activities - broadcasting,

cable and satellite, and other businesses. This segmentation is the basis upon which the Company reports its primary segment information. The broadcasting segment is principally the television and radio broadcasting activities which generate revenue from sale of national and regional advertising time. Cable and satellite business primarily develops and produces programs for cable television, including delivery of television programming outside the Philippines through its DTH satellite service, cable television channels and blocked time on television stations. In 2008, as a result of the conversion of Sky Cable Note issued to ABS-CBN, the cable and satellite business include cable television services of Sky Cable and its subsidiaries in Metro Manila and in certain provincial areas in the Philippines. Other businesses include movie production, consumer products and services. The Company's remaining activity includes information service.

Geographical Segments
Although Company is organized into three business activities, it operates in three major geographical areas. In the Philippines, its home country, ABS-CBN is involved in broadcasting, cable operations and other businesses. In the United States and in other locations (which includes Middle East, Europe, Australia, Canada and Japan), ABS-CBN operates its cable and satellite operations to bring television programming outside the Philippines.

Inter-segment Transactions
Segment revenue, segment expense and segment results include transfers among business segments and geographical segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated in consolidation.

## 5. Notes Receivable

The notes receivable represents a portion of the Staple Financing of Red Vulcan Holdings Corporation which the Parent Company purchased in November 2008 through the Parent Company's trust account with a local bank. The notes receivable will mature in May 2009.

Red Vulcan is a wholly owned subsidiary of First Gen Corporation (First Gen), a subsidiary of FPHC.

## 6. Interest-Bearing Loans and Borrowings

| | Effective Interest Rate % | **March 31, 2009** | December 31, 2008 |
|---|---|---|---|
| Current | | | |
| Parent Company: | | | |
| 7.875% Notes | 7.875% | **₱7,249** | ₱7,128 |
| LTCPs | | **1,400** | 1,514 |
| ABS-CBN: | | | |
| Bank loans | 7.73% | **742** | 738 |
| Long-term debt under Senior Credit Agreement (SCA) | 7.45% | **202** | 254 |
| Obligations under capital lease | | **110** | 140 |
| | | **₱9,703** | ₱9,774 |

| | Effective Interest Rate % | **March 31, 2009** | December 31, 2008 |
|---|---|---|---|
| Noncurrent | | | |
| Parent Company: | | | |
| 4.2% Perpetual Convertible Bonds | 4.2% | **₱12** | ₱12 |
| ABS-CBN: | | | |
| Long-term debt under SCA (net of transaction costs and debt discount) | 7.45% | **7,908** | 7,408 |
| Obligation under capital lease | | **134** | 174 |
| | | **₱8,054** | ₱7,594 |

7. **Earnings(loss) Per Share (EPS) attributable to Equity Holders of the Parent Company**

The following reflects the income (loss) and share data used in the basic and diluted earnings(loss) per share computations:

| | **2009** | 2008 |
|---|---|---|
| | *(Amounts in Millions, except Number of Shares)* | |
| (a) Income(loss) attributable to equity holders of the parent | **(₱176)** | ₱60 |
| Interest on convertible bonds and amortization of bond issue cost | **1** | 1 |
| (b) Net income(loss) attributable to equity holders of the Parent Company - diluted | **(₱175)** | ₱61 |
| (c) Weighted average number of common shares - basic (see Note 21) | **4,581,544,408** | 4,581,544,408 |
| Conversion of bonds (see Note 18) | **3,421,410** | 3,421,410 |
| (d) Adjusted weighted average common shares – diluted | **4,584,965,818** | 4,584,965,818 |
| Per Share Amounts | | |
| Basic (a/c) | **(₱0.0384)** | ₱0.0131 |
| Diluted (b/d) | **(0.0382)** | 0.0133 |

There have been no other transactions involving shares or potential shares between the financial reporting date and the date of completion of these consolidated financial statements.

Business Segment Data
*(Amounts In Millions)*

The following tables present revenue and income information and certain asset and liability information regarding business segments for the period ended March 31, 2009 and 2008:

| | Investment Holdings | | Services | | Broadcasting | | Cable Satellite | | Other Business of ABS-CBN | | Elimination | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | March 31 | | March 31 | | March 31 | | March 31 | | March 31 | | March 31 | | March 31 | |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenues | ₱– | ₱– | ₱– | ₱– | ₱2,553 | ₱2,711 | ₱2,286 | ₱1,132 | ₱448 | ₱414 | ₱– | ₱– | ₱5,287 | ₱4,257 |
| Intersegment-sales | – | – | – | – | 15 | 11 | 59 | 26 | 28 | 33 | (102) | (70) | – | – |
| Total revenues | ₱– | ₱– | ₱– | ₱– | ₱2,568 | ₱2,722 | ₱2,345 | ₱1,158 | ₱476 | ₱447 | (₱102) | (₱70) | ₱5,287 | ₱4,257 |
| **Results** | | | | | | | | | | | | | | |
| Segment result | (₱207) | (₱184) | | | ₱81 | ₱97 | ₱103 | ₱59 | ₱96 | ₱78 | ₱182 | ₱193 | ₱255 | ₱243 |
| Investment income | 210 | 435 | – | – | – | – | 5 | 5 | – | – | (95) | (140) | 115 | 300 |
| Interest income | | | | | | | | | | | | | 77 | 88 |
| Other income | | | | | | | | | | | | | 235 | 98 |
| Interest and financing charges | | | | | | | | | | | | | (507) | (445) |
| Foreign exchange gain (loss) | | | | | | | | | | | | | (202) | (79) |
| Income before income tax | | | | | | | | | | | | | (27) | 205 |
| Income tax | | | | | | | | | | | | | (149) | (145) |
| Minority interest | | | | | | | | | | | | | 94 | 103 |
| Net income | | | | | | | | | | | | | (₱82) | ₱163 |
| **Segment Assets and Liabilities** | | | | | | | | | | | | | | |
| Segment assets | ₱7,942 | ₱2,654 | ₱5 | ₱5 | ₱21,493 | ₱21,182 | ₱13,902 | ₱5,388 | ₱2,279 | ₱3,013 | (₱3,082) | (₱1,632) | ₱42,539 | ₱30,610 |
| Investment in associates | 23,435 | 27,866 | 5 | 5 | 6,819 | 3,916 | – | – | – | – | (15,941) | (12,482) | 14,318 | 19,305 |
| Consolidated total assets | | | | | | | | | | | | | ₱56,857 | ₱49,915 |
| Segment liabilities | ₱21,607 | ₱8,254 | ₱10 | ₱10 | ₱5,015 | ₱5,185 | ₱6,221 | ₱2,542 | ₱871 | ₱1,898 | (₱11,761) | ₱37 | ₱21,963 | ₱17,926 |
| Bank loans and long-term debt | | | | | | | | | | | | | 17,757 | 13,710 |
| Income tax payable | | | | | | | | | | | | | 623 | 658 |
| Consolidated total liabilities | | | | | | | | | | | | | ₱40,343 | ₱32,294 |
| **Other Segment Information** | | | | | | | | | | | | | | |
| Depreciation and amortization | 4 | 4 | – | – | 446 | 419 | 352 | 131 | 15 | 13 | (27) | – | 791 | 567 |
| Noncash expenses other than depreciation and amortization | – | – | – | – | 9 | 17 | 32 | 8 | 3 | 1 | – | – | 44 | 26 |

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**BENPRES HOLDINGS CORPORATION**

By:

| | |
|---|---|
| **MA. VICTORIA M. MARCELINO**<br>AVP - Financial Controls | <u>May 15, 2009</u><br>Date |
| **SALVADOR G. TIRONA**<br>Chief Finance Officer | <u>May 15, 2009</u><br>Date |
| **ANGEL S. ONG**<br>President and COO | <u>May 15, 2009</u><br>Date |

**BENPRES HOLDINGS CORPORATION**
**AGING OF ACCOUNTS RECEIVABLES**
**AS OF MARCH 31, 2009**
**(Amounts in Thousands)**

| TYPE OF ACCOUNTS RECEIVABLES | TOTAL | NOT YET DUE | CURRENT | 30 DAYS AND OVER | IMPAIRED |
|---|---|---|---|---|---|
| **I. TRADE RECEIVABLES** | | | | | |
| Trade | **5,197** | 2,655 | 295 | 1,625 | 622 |
| Allowance | **450** | | | | |
| Net A/R | **4,747** | | | | |
| **II. NON - TRADE RECEIVABLES** | | | | | |
| Advances to related parties | **122** | | | | |
| Others | **515** | | | | |
| | **637** | | | | |
| | **5,384** | | | | |

**ACCOUNTS RECEIVABLE DESCRIPTION**

1 TRADE RECEIVABLES - *accumulated through the normal course of business, i.e. sale of airing spots*

2 NON TRADE RECEIVABLES - *accumulated through transactions other than the normal course of business, i.e. sale*

**NORMAL OPERATING CYCLE** - *calendar year*